



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

November 5, 1990

FmHA AN No. 2174 (1924)

SUBJECT: Development of Realistic Long Range Farm Budgets

TO: State Directors

ATTN: Farmer Programs Chiefs

PURPOSE/INTENDED OUTCOME

The purpose of this Administrative Notice (AN) is to provide guidance on the development of realistic long range planning with reference to projected agricultural commodity prices and related expenses. These prices and costs will be utilized for the determination of farm budget feasibility when evaluating for loan deferral. This information will also be needed when implementing conservation practices to bring the farm in compliance with the provisions found in Exhibit M of FmHA Instruction 1940-G. In order to provide a sound basis for long term projects and requests for assistance, a realistic long range farm plan is necessary.

COMPARISON WITH PREVIOUS AN

This AN replaces AN 2012 (1924), dated November 29, 1989. The updates in this AN provide necessary information for development of farm budgets for the 1991-97 crop years.

IMPLEMENTATION RESPONSIBILITIES

FmHA Instruction 1924-B, Section 1924.57(d)(1), states that the projections used in developing planned farm budgets with reference to income and related expenses, must be supported by the borrower's actual historical records.

Exhibit A of this AN provides a table of USDA projections for the percentage change of prices for various major commodities as well as related farm expenses. For those commodities and expenses not shown on this attachment, such as aquacultural products, guava, lamb or rabbits, local buyers, processors, Agricultural Extension Service or similar sources should be contacted to obtain the best estimates available for these items. The percent change for 'Other Expenses', as shown, is the average percentage change of all expenses excluding family living for that particular year.

EXPIRATION DATE: October 31, 1991

Filing Instruction:  
Preceding FmHA  
Instruction 1924-B



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Secretary of Agriculture, Washington, D.C. 20250

2174(1924)

EXAMPLE: Wheat

Local avg. cash price x year % change = price adjustment  
\$3.10 /bu. (1990) x -4.8% (1993) = -\$0.15  
Price adjustment + 1990 avg. cash price = 1993 projected  
price  
-\$0.15 + \$3.10/bu. = \$2.95/bu.

FmHA Instruction 1924-B, Section 1924.57(d)(2), states that each State Director will establish the average unit price for each agricultural commodity produced on a Statewide basis. State Directors also may elect to establish regional unit prices for different regions of the State when there are factors (transportation costs) to establish a regional pattern. Exhibit B of this AN provides a National average for major agricultural commodities with which States may use as a guideline to compare their developed commodity prices. These National averages are in no way issued to replace State developed prices.

State Directors, when developing unit prices, can utilize available data from State Departments of Agriculture, State Offices of the USDA National Agricultural Statistics Service, or Land Grant Universities. If local data is not available, the prices that most nearly reflect local area prices must be used.

Those farmers with proven documented records to compute a weighted average price received for those products sold in 1990 and/or contracts with verified markets, will be able to utilize that higher unit price in the projection calculations. Otherwise, the average price as determined by the State Director will be used in these calculations.

If the State Director finds it necessary to change selected commodity projections in Exhibit A, a detailed justification will be sent to the National Office for approval. Any changes can be sent by Telemail to NO.PDS or by Facsimile to FTS 382-8098 or commercial (202) 382-8098 addressed to Director, Farmer Programs, Program Development Staff (PDS).



LA VERNE AUSMAN  
Administrator

Attachments

11/07/90 12:14 pm

Sent by Telefax on \_\_\_\_\_ at \_\_\_\_\_ by ASD. The State Director should advise other personnel as appropriate.

## LONG RANGE FARM BUDGET PROJECTIONS

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FmHA, FP, Program Development Staff  
10-Oct-90FmHA AN 2174 (1924)  
Exhibit A

## CASH COMMODITY PRICES RECEIVED

-----&lt; Projected % Change From 1990 &gt;-----

COMMODITY	1991	1992	1993	1994	1995	1996	1997
-----	-----	-----	-----	-----	-----	-----	-----
Wheat	-4.8	-6.5	-4.8	-3.2	-1.6	0.0	0.0
Corn	-13.7	-19.6	-21.6	-19.6	-17.6	-17.6	-17.6
Sorghum	-12.8	-19.1	-21.3	-19.1	-17.0	-17.0	-17.0
Barley	-17.6	-23.5	-27.5	-27.5	-25.5	-25.5	-25.5
Oats	6.7	10.0	-6.7	-3.3	3.3	6.7	6.7
Soybeans	0.9	3.6	7.1	8.9	9.8	11.6	10.7
Cotton	-4.4	-5.9	-4.4	-1.5	0.0	0.0	1.5
Rice	-12.6	-13.3	-12.6	-11.9	-11.1	-10.4	-9.6
SB Oil	2.1	3.4	2.1	0.0	-2.1	-4.3	-6.4
SB Meal	-3.1	-0.9	4.7	7.8	10.9	14.7	14.1
Dried Beans	1.3	-5.3	-7.6	-5.3	-3.1	-3.1	-3.1
Peanuts	1.7	2.1	3.0	4.1	5.2	6.6	7.0
Cattle	3.2	2.6	6.6	9.7	13.6	15.9	22.0
Calves	3.2	2.6	6.6	9.7	13.6	15.9	22.0
Hogs	-10.0	-15.6	-14.0	-13.3	-11.1	-9.2	-4.5
Broilers	-1.8	-9.4	-10.6	-13.4	-10.1	-8.9	-3.5
Turkeys	2.4	18.7	22.3	25.2	28.3	32.2	38.6
Eggs	1.7	2.7	-5.6	2.7	-1.5	6.8	-0.1
Milk	-12.6	-23.1	-26.9	-26.2	-24.1	-23.8	-20.6
Fruit	2.0	4.4	6.9	9.4	12.3	14.8	17.7
Vegetables	4.0	6.0	7.9	10.6	12.6	14.6	16.6
Potatoes	0.0	0.0	-3.6	0.0	1.8	1.8	1.8
TOBACCO:							
Flue-cured	1.2	3.0	4.8	6.5	8.3	11.3	11.9
Burley	0.0	2.4	4.7	7.1	9.4	11.8	14.1
SUGAR:							
Raw, domestic	-4.1	-3.6	-3.0	-2.5	-2.0	-1.4	-0.8
Sugarbeet	-4.2	-3.5	-3.0	-2.6	-2.1	-1.4	-0.9
Sugarcane	-3.2	-2.9	-2.6	-2.3	-1.6	-1.3	-0.6

## PRODUCTION AND LIVING EXPENSES

Feed	-3.3	-9.6	-11.6	-11.6	-9.6	-8.7	-7.8
Feeder Livestock	-5.0	-2.9	0.9	4.5	7.8	10.2	15.2
Seed	3.0	6.3	9.9	12.8	16.0	19.3	22.0
Fertilizer	5.8	7.8	9.7	11.0	12.8	16.7	18.8
Ag. Chemicals	2.2	4.3	5.7	7.6	9.5	11.9	14.2
Fuels	5.0	9.5	14.0	18.1	22.1	25.8	29.4
Farm & Motor Sup.	2.4	5.8	8.9	11.4	13.8	16.0	17.7
Autos & Trucks	4.1	7.8	11.3	14.9	17.5	20.3	22.7
Tractors	3.4	6.5	9.5	12.6	15.5	18.0	20.6
Other Machinery	3.9	8.4	12.0	16.1	19.5	22.6	25.5
Bldg. & Fencing	3.3	6.4	9.3	12.0	14.5	16.9	18.8
Farm Serv. & Rent	3.5	6.8	9.4	11.8	14.1	16.3	18.0
Interest	-2.3	-4.7	-5.3	-6.6	-6.0	-6.0	-7.2
Taxes	2.5	5.4	8.2	10.3	12.8	15.1	17.4
Wages	5.8	10.9	15.9	20.6	25.2	29.2	33.1
Family Living (CPI)	3.8	7.5	11.1	14.5	17.7	20.6	23.3
Other Expenses	1.1	3.4	6.0	9.0	11.8	14.4	16.9

PROJECTED LONG RANGE FARM PRICES

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FmHA, FP, Program Development Staff  
01-Oct-90

FmHA AN 2174 (1924)  
Exhibit B

-----< PROJECTED CASH COMMODITY PRICES RECEIVED >-----

COMMODITY	UNITS	1990	1991	1992	1993	1994	1995	1996	1997
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Wheat	\$/bu	3.10	2.95	2.90	2.95	3.00	3.05	3.10	3.10
Corn	\$/bu	2.55	2.20	2.05	2.00	2.05	2.10	2.10	2.10
Sorghum	\$/bu	2.35	2.05	1.90	1.85	1.90	1.95	1.95	1.95
Barley	\$/bu	2.55	2.10	1.95	1.85	1.85	1.90	1.90	1.90
Oats	\$/bu	1.50	1.60	1.65	1.40	1.45	1.55	1.60	1.60
Soybeans	\$/bu	5.60	5.65	5.80	6.00	6.10	6.15	6.25	6.20
Cotton	\$/lb	0.68	0.65	0.64	0.65	0.67	0.68	0.68	0.69
Rice	\$/cwt	6.75	5.90	5.85	5.90	5.95	6.00	6.05	6.10
SB Oil	\$/lb	0.235	0.240	0.243	0.240	0.235	0.230	0.225	0.220
SB Meal	\$/ton	160.00	155.00	158.50	167.50	172.50	177.50	183.50	182.50
Dried Beans	\$/cwt	22.50	22.80	21.30	20.80	21.30	21.80	21.80	21.80
Peanuts	cnt/lb	29.82	30.34	30.46	30.70	31.05	31.37	31.79	31.90
Cattle	\$/cwt	71.84	74.11	73.74	76.56	78.79	81.64	83.26	87.62
Calves	\$/cwt	86.21	88.94	88.49	91.87	94.54	97.97	99.91	105.14
Hogs	\$/cwt	54.99	49.50	46.42	47.31	47.66	48.89	49.91	52.53
Broilers	cnt/lb	33.40	32.80	30.27	29.87	28.92	30.02	30.42	32.22
Turkeys	cnt/lb	37.20	38.10	44.15	45.51	46.56	47.73	49.18	51.55
Eggs	cnt/doz	63.20	64.30	64.88	59.69	64.88	62.28	67.47	63.14
Milk	\$/cwt	14.30	12.50	11.00	10.45	10.55	10.85	10.90	11.35
Fruit	1977=100	203.00	207.00	212.00	217.00	222.00	228.00	233.00	239.00
Vegetables	1977=100	151.00	157.00	160.00	163.00	167.00	170.00	173.00	176.00
Potatoes	\$/cwt	5.50	5.50	5.50	5.30	5.50	5.60	5.60	5.60
TOBACCO:									
Flue-cured	cnt/lb	168.00	170.00	173.00	176.00	179.00	182.00	187.00	188.00
Burley	cnt/lb	170.00	170.00	174.00	178.00	182.00	186.00	190.00	194.00
SUGAR:									
Raw, domestic	cnt/lb	23.00	22.06	22.18	22.30	22.43	22.55	22.68	22.81
Sugarbeet	\$/ton	42.70	40.90	41.20	41.40	41.60	41.80	42.10	42.30
Sugarcane	\$/ton	30.80	29.80	29.90	30.00	30.10	30.30	30.40	30.60